

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 13, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB629 by Schwertner (Relating to liability for interest if land appraised for ad valorem tax purposes as agricultural or open-space land is sold or diverted to a different use.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB629, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from School Districts	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Other Special Districts
2018	(\$5,615,000)	(\$552,000)	(\$417,000)
2019	(\$17,687,000)	(\$5,189,000)	(\$3,916,000)
2020	(\$18,572,000)	(\$5,424,000)	(\$4,088,000)
2021	(\$19,500,000)	(\$5,670,000)	(\$4,266,000)
2022	(\$20,475,000)	(\$5,927,000)	(\$4,453,000)

Fiscal Analysis

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to strike the requirements for interest to be paid on additional taxes for back years incurred upon change of the use of land appraised under the agricultural use or open space

provisions of Subchapter C or Subchapter D of Chapter 23 of the Tax Code.

The bill would take effect on September 1, 2017.

Methodology

Subchapter D of Chapter 23 of the Tax Code requires that landowners pay the difference between the market value and the productivity value of qualified agricultural land plus interest for each of the five years preceding a change in the use of the land (rollback). The bill would remove the interest requirement on land that changes use on or after September 1, 2017, creating a cost to school districts and other local taxing units. There would be no state cost because the interest on agricultural productivity value rollbacks is not included in the state's school funding formula. There would be an insignificant cost to cities because very little agricultural land is in cities. The estimated interest loss was derived from a survey of appraisal districts. Because the effective date of the bill is September 1, 2017, only one third of the estimated annual cost is applied in fiscal 2018.

The requirements to qualify as agricultural land under Subchapter C of Chapter 23 of the Tax Code are very stringent and include requirements that land must be owned by an individual, not a corporation, partnership, trust or other business entity. Agriculture must be the owner's primary occupation and source of income. The roll-back tax for these lands is three years instead of five. Very few acres across the state qualify under this Subchapter. Eliminating the interest on the additional taxes under Subchapter C is not estimated to have a significant fiscal impact.

Local Government Impact

The estimated fiscal implication to units of local government is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

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